Guardian Growth Fund Limited

Gdn. Management Limited

Gdn. Ventures Limited

Annual Report
1970

Guardian Growth Fund Limited

Annual Report 1970

To the Shareholders

The year 1970 was another spirited one in the stock market. The averages declined sharply between January 1st and the end of May; stabilized and tested the lows in June and July; and then started a steady and strengthening advance which continued up to December 31st 1970 and into 1971.

As was the case in 1969, the Dow-Jones Industrial average, and the Toronto Industrial Index performed better in 1970 than did broader averages, and thus outperformed most stocks.

The table below lists some indexes and averages which may be of interest:

Performance for the Year 1970	
Toronto Industrial Index	− 6.40%
Dow-Jones Industrial Average	+ 4.82%
N.Y.S.E. Composite Index	− 2.52%
American Stock Exchange Index	−13.40%
Lipper Canadian Common Stock Mutual Fund Average	−15.07%
Lipper Canadian All Fund Average	−10.69%
Lipper U.S. Growth Fund Average	−15.97%

In comparison with these various performance results, Guardian Growth Fund's net asset value per share declined in 1970 by 13.4%.

The quarter by quarter performance result is tabulated below in the usual way:

	Guardian Growth Fund		**Toronto Industrials**		**Dow-Jones Industrials**	
	Value	Change	Value	Change	Value	Change
Jan. 1	$8.28		186.37		800.36	
Mar. 31	$7.63	− 8%	185.17	− 1%	785.57	− 2%
June 30	$6.25	−18%	151.52	−18%	683.53	−13%
Sep. 30	$6.91	+11%	165.87	+ 9%	760.68	+11%
Dec. 31	$7.17	+ 4%	174.44	+ 5%	838.92	+10%
Year 1970		**−13%**		**− 6%**		**+ 5%**

Guardian's long term record, compared with that of the averages is up-dated below:

	Toronto Industrials	**Dow-Jones Industrials**	**Composite Dow-TSE**	**Guardian Growth Fund**	**Guardian Differential**
1960	+ 8%	− 3%	+ 2%	+11%	+ 9%
1961	+28%	+19%	+23%	+94%	+71%
1962	−10%	−11%	−10%	+ 1%	+11%
1963	+11%	+17%	+14%	+24%	+10%
1964	+21%	+15%	+18%	+54%	+36%
1965	+ 2%	+11%	+ 6%	+ 4%	− 2%
1966	−12%	−19%	−15%	+11%	+26%
1967	+10%	+15%	+12%	+70%	+58%
1968	+16%	+ 4%	+10%	+35%	+25%
1969	− 1%	−15%	− 8%	−25%	−17%
1970	− 6%	+ 3%	− 1%	−13%	−12%
Totals 1960-1970	**+76%**	**+31%**	**+53%**	**+617%**	**+564%**

The activities of the Policy Committee, whose creation was referred to in Guardian's 1969 year-end report, were of value during 1970. The policy committee was very cautious about the market trend in the early part of the year, and was very aggressive in removing investible cash from the sub-pools. Your management has always felt inhibited from building up cash beyond about one-third of assets since it is generally stated in the mutual fund industry that shareholders buy fund shares to have cash invested, not sitting idle. At the same time it is clear that, in an all-embracing decline, cash is the only safe and sensible investment. In March and April, in any event, the policy committee decided to ignore past "norms" and to build up cash to a peak of 70% of assets. Shareholder reaction at the annual meeting in April, and expressed in writing since then, has agreed with this point of view, while expressing the hope that timing can be further improved in future. By mid-June, cash was being re-allocated to the sub-pools; this process was accelerated during the third quarter, and by late November the policy group had decided that cash reserves outside the sub-pools were no longer required in this phase of the cycle.

The operation of the sub-portfolios during the course of the year 1970 provides reason to believe that this is an effective way of keeping Guardian's portfolio as a whole attuned to the realities of the investment and market cycle. Effective use of the process requires not only judgment about the investment climate, but also requires willingness by the policy group to reallocate resources among portfolio managers. It seems clear that individual expertise changes very little from year to year, but the stock market weather changes a lot. Attempted profit maximization, therefore requires periodic resource reallocation among portfolio managers.

Canadian and U.S. stock markets are currently in a bull phase. This reflects the change in primary emphasis by government and monetary fiscal policies from fighting inflation to stimulating the economy. It is interesting to note that easier monetary policies began to be implemented as early as February 1970 in both the U.S. and Canada.

Demand-pull inflation is dead, at least temporarily. Cost-push inflation may slowly fade away under the influence of a relatively slow economic recovery, a rapidly growing work force, and already high unemployment. Some political action may even be taken against the mis-use by certain unions of monopolistic powers, since there is increasing evidence that such action would be politically popular, and not the reverse.

The period of recovery from a recession is normally one of productivity improvement, a low rate of inflation, and a significant increase in profit margins. The 1971 recovery could be better than average because of the vigor of the cost cutting in the recession, and the wideness of the swing in interest rates, a significant cost factor.

There are two main potential hazards – one is that business will not revive, in spite of official stimulation. This seems relatively unlikely, but not impossible. The second danger is that inflation could rapidly revive because of the stimulation, because of the structural frictions which prevent economic factors from fully influencing certain costs, such as wages, and because of the increasing amounts of dead wood which our economy has to drag along in the wake of fewer and fewer productive sectors. Such a development would require a new change in policies, which change would probably be adverse to the stock market.

On balance, however, your management looks for a stronger economy in 1971, leading to widespread earnings gains and generally rising stock prices. We are exploiting the improved environment by concentrating on industries which will magnify the trends. In addition, Guardian during 1971 may well become a net borrower from the bank rather than a net lender to it.

On behalf of the Board
Yours sincerely,

Norman Short

Guardian Growth Fund Limited

Balance Sheet

as at December 31, 1970

		1970	1969
Assets	Investments – at market value (average cost – 1970 – $21,344,718; 1969 – $25,103,918)	**$22,230,709**	$26,854,648
	Short term note receivable and Government of Canada Treasury bill – at cost, plus accrued interest	—	7,352,977
	Cash	**1,488,121**	1,854,880
	Due from brokers on sale of investments	**1,779,187**	1,961,663
	Dividends and accrued interest receivable	**88,149**	78,736
		25,586,166	38,102,904
Liabilities	Due to brokers on purchase of investments	**679,603**	3,178,525
	Accrued liabilities	**42,207**	37,767
	Income taxes payable	**38,500**	—
		760,310	3,216,292
	Net assets at market value	**$24,825,856**	$34,886,612
	Net asset value per share	**$ 7.17**	$ 8.28

Auditors' Report to the Shareholders of Guardian Growth Fund Limited

We have examined the balance sheet and statement of investments of Guardian Growth Fund Limited as at December 31, 1970 and the statements of income and expenses, changes in net assets and changes in investments for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the changes in its net assets and investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.
Chartered Accountants

Toronto, February 14, 1971

Shareholders' Equity

	Shares 1970	Shares 1969	1970	1969
Capital stock (Note 1)				
Fully participating redeemable preference shares with a par value of 20¢ each – Authorized less redeemed	**3,458,562**	4,209,674		
Outstanding	**3,455,593**	4,206,705	**$ 691,119**	$ 841,341
Common shares with a par value of 20¢ each – Authorized	**50,000**	50,000		
Outstanding	**4,500**	4,500	**900**	900
Capital redemption reserve			**22,046,541**	31,764,789
Unrealized appreciation of investments			**885,991**	1,750,730
Retained earnings			**1,201,305**	528,852
Total shareholders' equity			**$24,825,856**	$34,886,612

See accompanying notes

Approved on behalf of the Board

Norman Short, *Director*
James F. Cole, *Director*

Guardian Growth Fund Limited

Statement of Income and Expenses

for the year ended December 31, 1970

	1970	Per Share	1969	Per Share
Income				
Dividends	**$203,934**		$ 279,239	
Interest	**768,339**		739,815	
	972,273		1,019,054	
Expenses				
Management fee (Note 2)	**326,295**		572,036	
Custodian's fees	**25,094**		22,272	
Transfer agent's fees and expenses	**17,324**		22,392	
Printing	**13,094**		13,591	
Legal and audit	**5,974**		7,648	
Computerized trading costs	**5,334**		—	
Capital tax	**4,603**		3,923	
Miscellaneous	**273**		439	
	397,991		642,301	
	574,282		376,753	
Provision for Income Taxes				
Foreign withholding taxes	**26,476**		29,629	
Canadian income taxes	**251,000**		137,000	
	277,476		166,629	
	296,806	**$ .08**	210,124	$ .05
Extraordinary Item				
Reduction of current year's income taxes on application of losses in prior years	**212,500**	**.06**	137,000	.03
Net Income before the Following Allocation	**509,306**	**.14**	347,124	.08
50% of Management Fee Charged to Capital Redemption Reserve (Note 2)	**163,147**	**.04**	286,018	.06
Net Income for the Year (transferred to retained earnings)	**$672,453**	**$ .18**	$ 633,142	$ .14

See accompanying notes

Guardian Growth Fund Limited

Statement of Changes in Net Assets

for the year ended December 31, 1970

	1970	1969
Net Assets – Beginning of Year		
Represented by the following accounts:		
Capital stock	**$ 842,241**	$ 973,322
Capital redemption reserve	**31,764,789**	38,155,367
Unrealized appreciation of investments	**1,750,730**	14,344,833
Retained earnings (deficit)	**528,852**	(104,290)
(Per share 1970 – $8.28; 1969 – $10.97)	**34,886,612**	53,369,232
Changes During the Year		
Decrease in Capital		
Net realized loss on sale of investments (allocated to capital redemption reserve)	**4,357,586**	382,203
Net decrease in unrealized appreciation of investments	**864,739**	12,594,103
Preference shares redeemed (Note 1)	**5,347,737**	5,853,438
50% of management fee charged to capital redemption reserve (Note 2)	**163,147**	286,018
	10,733,209	19,115,762
Income		
Net income for the year	**672,453**	633,142
Net Assets – End of Year	**$24,825,856**	$34,886,612
Represented by the following accounts:		
Capital stock	**$ 692,019**	$ 842,241
Capital redemption reserve	**22,046,541**	31,764,789
Unrealized appreciation of investments	**885,991**	1,750,730
Retained earnings	**1,201,305**	528,852
(Per share 1970 – $7.17; 1969 – $8.28)	**$24,825,856**	$34,886,612

See accompanying notes

Guardian Growth Fund Limited

Statement of Changes in Investments

for the year ended December 31, 1970

	1970	1969
Proceeds from sale of investments	**$32,241,933**	$28,944,359
Cost of investments at beginning of year	**25,103,918**	30,930,271
Cost of investments purchased during year	**32,840,319**	23,500,209
	57,944,237	54,430,480
Cost of investments at end of year	**21,344,718**	25,103,918
Cost of investments sold during year	**36,599,519**	29,326,562
Net realized loss on sale of investments	**4,357,586**	382,203
Decrease in unrealized appreciation of investments	**864,739**	12,594,103
Total loss on investments	**$ 5,222,325**	$12,976,306

See accompanying notes

Guardian Growth Fund Limited

Statement of Investments

as at December 31, 1970

*This security may not be sold to the public without prior registration with the U.S. Securities and Exchange Commission. It has been valued by the directors at what they consider to be a fair discount from the quoted market price.

	Number of Shares or Par Value	Average Cost	Market Value
International Business Machines	6,000	$ 1,730,530	$ 1,925,565
Keydata Corp.	250,000	1,074,688	1,876,075*
Keydata Conv. Debs. – 7% – 1979	U.S. $ 150,000	160,875	98,475
Consumers Distributing	69,100	1,143,353	1,295,625
Alberta Gas Trunk Line "A"	16,000	680,160	776,000
Alberta Gas Trunk Line – Conv. Debs. 7½% – 1990	$ 260,000	302,667	319,800
Rank Organization "A"	63,100	851,056	1,088,475
Government of Canada – Bonds 8% – 1974	$ 500,000	512,500	545,000
Government of Canada – Bonds 7¼% – 1975	$ 500,000	500,000	536,875
Consolidated Foods	25,000	901,045	1,073,125
G.M.A.C. – Debs. 3½% – 1972	U.S. $1,000,000	952,105	979,700
Standard Oil of New Jersey – Debs. 2¾% – 1974	U.S. $1,000,000	845,269	893,850
National Medical Enterprises	25,000	1,147,485	710,157
Brascan	38,500	543,006	602,717
Pan American World Airways	45,000	610,385	551,082
Crush International	35,700	424,136	526,575
Communications Satellite	10,000	492,275	512,575
Southern Natural Gas	8,000	407,692	482,781
Interprovincial Pipe Line	15,500	416,260	430,127
Tele-communications	27,000	342,215	409,050
General Motors	5,000	378,650	406,525
Alberta Natural Gas	16,600	331,587	394,250
Fuji Photo – 6¾% Conv. Debs. 1985	U.S. $ 350,000	369,998	356,151
Banque Canadienne Nationale	24,000	328,303	321,000
Lone Star Cement	12,000	294,415	319,665
Ripley International	136,800	952,130	287,280
Northwestern Steel and Wire	3,900	235,930	261,943
Bell Canada	5,000	216,399	234,375
International Nickel	5,000	228,120	228,125
Endako Mines	16,500	244,359	226,875
Hilton Hotels	5,000	209,190	204,525
Electronic Data Systems	3,000	172,042	203,010
Bearings Inc.	4,800	222,430	201,798
Integrated Container Service	20,000	156,675	196,950
Firestone Tire and Rubber	4,000	170,705	191,395
Lake Dufault Mines	13,100	218,380	163,748
Texas Eastern Transmission	3,500	141,765	143,167
Falconbridge Nickel	1,000	135,262	142,000
Miscellaneous holdings		2,300,676	2,114,298
		$21,344,718	$22,230,709

See accompanying notes

Guardian Growth Fund Limited

Notes to Financial Statements

for the year ended December 31, 1970

1 Capital Stock

A The preference shares which confer the right to one vote per share, are redeemable at the option of the holder at 100% of the net asset value per share, up to the amount available in the capital redemption reserve.

B The common shares confer the right to twenty votes per share.

C The Company ceased selling shares of capital stock from treasury during 1968.

D During the year ended December 31, 1970, the Company redeemed 751,112 preference shares for an aggregate amount of $5,347,737 of which $150,222, equivalent to the par value of the shares redeemed, was allocated to share capital and the balance, $5,197,515 to capital redemption reserve.

2 Management Fee and Bonus

A Under a contract with Gdn. Management Limited, Guardian Growth Fund Limited pays a basic expense, management and advisory annual fee, computed such that this fee plus certain other administrative expenses of the Company total 1½% of the average net assets of the Company. In addition to the basic fee, the Company will pay a performance bonus to Gdn. Management Limited if the Company outperforms certain stock market averages. This bonus is a percentage of average net assets during the year equal to 1/10th of the amount by which the percentage gain in the net asset value per share of the Company exceeds the median percentage gain of the Toronto Industrial Index and the Dow-Jones Industrial Average in the same year; or conversely 1/10th of the amount by which the percentage loss in the net asset value per share of the Company is less than the median percentage loss of these indices. The bonus is not to exceed 2% of such average net assets and is payable to Gdn. Management Limited subsequent to the Company's year-end.

No performance bonus was payable for 1970 or 1969.

B It is the policy of the Company to charge 50% of the management fee and bonus against income and 50% against capital for the reason that both the production of income and the management of capital are investment management functions.

3 Conversion of Foreign Currency

Foreign currency amounts included in the financial statements have been expressed in Canadian dollars on the following bases:

A Market value of investments, other assets and liabilities at the rate of exchange at the fiscal year-end.

B Purchases and sales of investments, income and expenses at the approximate rate of exchange prevailing on the respective dates of such transactions.

4 Income Per Share

The per share figures shown in the statement of income and expenses are based on the average number of shares outstanding.

Gdn. Management Limited

Annual Report 1970

To the Shareholders

Introduction

Gdn. Management Limited and its subsidiaries are employed in the following activities:

1 Management of Guardian Growth Fund Limited.

2 Management of Gdn. Ventures Limited, a venture capital company currently wholly-owned.

3 Management of Guardian Pension Fund.

4 Management of individual client and pension fund portfolios.

5 Sale and management of The Guardian Savings Plan (1970-1982 Series), a new type of mutual fund product.

Performance of Portfolios Managed

In 1970, the Toronto Industrial Index fell by 6.4% and the Dow-Jones Industrial Average rose by 4.8%. The American Stock Exchange Index, and the net asset value of many common stock mutual funds, fell by between 10% and 15%, while many aggressive funds fell by 25% or more.

In comparison with these results, various portfolios managed by your company performed as follows:

Guardian Growth Fund	−13.4%
Individual client Model Account	− 6.8%
Guardian Pension Fund	− 7.0%
Pension Model Account	− 1.5%

A detailed description of the activities of the Guardian Growth Fund policy committee forms part of the Guardian annual report. In essence however, the results tabulated above reflect the aggressive move to cash by clients' portfolios in the early part of the year, and the re-employment of most of the cash reserves initially during the summer, and then more vigorously in September, October, and November.

While these portfolios performed relatively well compared with most comparable pools of capital, they were, for the second year, unable to earn for Gdn. its performance bonus.

Assets Administered

The amount of assets under fully discretionary administration each quarter were as follows:

	Guardian	Clients' Portfolios	Guardian Pension Fund
December 31st, 1969	$34,886,612	$12,504,462	$5,481,846
March 31st, 1970	30,394,550	11,844,941	4,576,828
June 30th, 1970	22,273,240	8,647,400	5,066,306
September 30th, 1970	24,366,570	8,677,008	5,727,207
December 31st, 1970	24,825,856	9,086,009	6,482,724

Earnings and Expenses

Your company's earnings, quarter by quarter during the year 1970, were as listed below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 1970
Revenue					
Basic management fees	141,328	109,652	110,964	120,422	482,366
Interest and Dividends	2,106	4,990	7,780	4,941	19,817
Total Revenue	143,434	114,642	118,744	125,363	502,183
Expenses					
Management and analysts salaries	40,692	40,095	38,629	43,522	162,938
Other operating expenses	40,428	45,999	37,600	46,634	170,661
Total Expenses	81,120	86,094	76,229	90,156	333,599
Pre-tax income	62,314	28,548	42,515	35,207	168,584
Tax provision	30,700	12,600	20,200	17,870	81,370
Net profit	31,614	15,948	22,315	17,337	87,214
Average shares o/s	958,000	1,087,000	1,087,000	1,087,000	1,054,750
Net Profit/Share	$0.033	$0.015	$0.021	$0.016	$0.083

Gdn. Ventures Limited

Gdn. Management has to date invested $2,750,000 in this wholly-owned subsidiary. The directors of Gdn. Ventures valued the shareholders' equity at year-end at $4,159,300, including $1,244,707 cash. These assets therefore represented approximately $4.00 per share of Gdn. Management. In view of the significance of this investment, we have devoted the last part of this report to a full discussion of Gdn. Ventures' aims, progress and finances.

New Activities

During the course of the year your management created a new type of mutual fund product, The Guardian Savings Plan (1970-1982 Series).

This Savings Plan, whose prospectus has been approved by both the Ontario and Quebec Securities Commissions, was initially offered at a net asset value of $10 per share plus sales commissions. The net amount invested by the client is invested 75% in fixed interest, mainly Government guaranteed securities, and 25% in an aggressively managed equity portfolio. The value of each of the two subsections of The Savings Plan is separately calculated each week, and investments are allocated to each subsection of the Plan according to the actual value of the subsection. Thus, in the early months of The Guardian Savings Plan's existence it is likely that all new investments will be subdivided approximately in the 75%-25% ratio of the starting point. As time goes on, however, it is to be hoped that capital growth, together with retained dividends in the equity segment, will outpace the growth attained in the income segment by retention and re-investment of income, and that as a result the equity segment will rise from the initial starting percentage of 25% to a larger proportion of the whole.

Whether this favourable development takes place or not, however, the fixed income segment should rise in value from $7,500 out of an initial net investment of $10,000 to more than twice that amount by December 1982, the maturity date of the Plan.

The Guardian Savings Plan (1970-1982 Series) is being distributed by a new subsidiary of Gdn. Management Limited called Guardian Growth Financial Services Limited. The new company's first office is in Montreal. Depending on sales results achieved there, it is hoped to expand this operation into Ontario and points West and East in due course. Other equity oriented products are in course of development at the present time.

Guardian Growth Financial Services Limited has concluded an association with Montreal Life Assurance Company, under the terms of which we are the exclusive mutual fund distributor of their range of attractive and competitive insurance products; Montreal Life in turn is the exclusive life company distributor of Guardian's mutual fund products. Montreal Life is a wholly owned subsidiary of the Guardian-Royal Exchange Group, one of the world's major insurance organizations.

Conclusion

Gdn. Management Limited has come through a very difficult period in the financial business with earning power reduced, but at no time removed, and with the company's assets conserved and indeed expanded. The Gdn. Management team has been maintained and strengthened. Our aims remain the same as always:

1 To make money for fund shareholders and portfolio management clients.

2 To provide growth capital for honest and aggressive entrepreneurs.

3 Through these and other activities to enhance the assets and earnings of Gdn. Management Limited.

4 To find satisfaction in these activities in addition to the financial reward.

Creativity and hard work in a reasonable environment have usually paid off in the past. We hope and expect that they will continue to do so in the future.

On behalf of the Board,
Yours sincerely,

Norman Short

Gdn. Management Limited and Subsidiary Companies

Consolidated Balance Sheet

as at December 31, 1970

Assets

	1970	1969
Current Assets		
Cash	**$ 322,208**	$ 115,395
Government of Canada Treasury Bill	—	399,871
Management fees receivable		
Subsidiary company, Gdn. Ventures Limited	**83,205**	64,784
Other	**31,493**	21,067
Sundry receivables and prepaid expenses	**25,679**	26,714
	462,585	627,831
Investments – at cost		
Shares in Gdn. Ventures Limited, wholly-owned non-consolidated subsidiary (Note 1)	**2,750,003**	1,500,003
Shares in mutual funds (Net asset value; 1970 – $144,865; 1969 – $231,556)	**130,000**	226,380
	2,880,003	1,726,383
Fixed Assets		
Furniture, equipment and leasehold improvements – at cost, less accumulated depreciation and amortization of $23,568; (1969 – $14,728)	**27,760**	29,278
Cost of Shares in Subsidiaries in Excess of Net Book Value at Date of Acquisition	**687,452**	—
	$4,057,800	$2,383,492

Auditors' Report to the Shareholders of Gdn. Management Limited

We have examined the consolidated balance sheet of Gdn. Management Limited and its subsidiaries as at December 31, 1970 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.
Chartered Accountants

Toronto, February 19, 1971

		1970	1969
Liabilities	**Current Liabilities**		
	Accounts payable and accrued expenses	$ **66,874**	$ 3,707
	Income taxes	**31,995**	117,127
		98,869	120,834
Shareholders' Equity	**Capital Stock** (Notes 2, 3 and 4)		
	Authorized – 2,000,000 shares without par value		
	Issued – 1,087,000 shares (1969 – 920,000 shares)	**3,253,353**	1,503,353
	Contributed Surplus – Arising from sale of share purchase warrants	**60,000**	60,000
	Retained Earnings	**645,578**	699,305
		3,958,931	2,262,658
		$4,057,800	$2,383,492

See accompanying notes

Approved on behalf of the Board

Norman Short, *Director*
Ralph Horner, *Director*

Gdn. Management Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings

for the year ended December 31, 1970

	1970	1969
Retained earnings – Beginning of year	**$699,305**	$504,721
Net earnings (loss) for the year	**(17,755)**	211,110
	681,550	715,831
Financing expenses, net of income taxes	**35,972**	16,526
Retained earnings – End of year	**$645,578**	$699,305

See accompanying notes

Gdn. Management Limited and Subsidiary Companies

Consolidated Statement of Earnings

for the year ended December 31, 1970

	1970	1969
Income		
Management and advisory fees (Note 5)	**$482,366**	$636,819
Interest and dividends	**19,817**	35,205
	502,183	672,024
Expenses		
Management and analysts' salaries and fees	**162,938**	87,479
Other operating expenses	**170,661**	152,435
	333,599	239,914
	168,584	432,110
Provision for income taxes	**81,370**	221,000
Earnings from Management and Advisory Operations	**87,214**	211,110
Loss incurred by newly incorporated sales company (Note 8)	**33,619**	—
Earnings before extraordinary items	**53,595**	211,110
Extraordinary item – Loss on sale of investments	**71,350**	—
Net Earnings (Loss) for the Year	**($ 17,755)**	$211,110
Earnings Per Share from Management and Advisory Operations	$ .08	$ .24
Earnings Per Share before Extraordinary Item	$ .05	$ .24
Net Earnings (Loss) Per Share (Note 7)	($ .02)	$ .24

See accompanying notes

Gdn. Management Limited and Subsidiary Companies

Consolidated Statement of Source and Use of Funds

for the year ended December 31, 1970

	1970	1969
Source of Funds		
Net earnings (loss) for the year	**($ 17,755)**	$ 211,110
Charges to earnings not affecting funds Depreciation and amortization of fixed assets	**8,683**	8,676
Loss on sale of investments	**71,350**	—
Funds derived from operations	**62,278**	219,786
Issue of capital stock (Note 2)		
For cash	**1,290,000**	1,500,000
For shares of subsidiary company	**460,000**	—
Proceeds from sale of shares in mutual funds	**137,030**	—
	1,949,308	1,719,786
Use of Funds		
Purchase of shares in Gdn. Ventures Limited	**1,250,000**	1,500,000
Purchase of shares in other subsidiaries, less working capital at date of acquisition	**699,552**	—
Purchase of shares in mutual funds	**100,000**	208,380
Payment of financing expenses, less income tax reduction	**35,972**	5,617
Purchase of fixed assets	**7,065**	14,828
	2,092,589	1,728,825
Decrease in Working Capital	**143,281**	9,039
Working Capital – Beginning of Year	**506,997**	516,036
Working Capital – End of Year	**$ 363,716**	$ 506,997

See accompanying notes

Gdn. Management Limited and Subsidiary Companies

Notes to Consolidated Financial Statements

for the year ended December 31, 1970

1 Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all subsidiary companies, with the exception of Gdn. Ventures Limited.

The accounts of Gdn. Ventures Limited, a wholly-owned venture capital company, have not been consolidated since its interests and operations are substantially different from those of the parent company and its consolidated subsidiaries. The financial statements of Gdn. Ventures Limited are available to the shareholders of the parent company.

Gdn. Ventures Limited incurred a loss of $128,445 for the year ended December 31, 1970 and has incurred cumulative losses of $138,770 since the date of acquisition. No provision has been made in the consolidated financial statements for these cumulative losses because, in the opinion of the directors of the Company, the unrealized gain in the investment portfolio of Gdn. Ventures Limited exceeds such losses and therefore there has been no reduction in the value of the investment in Gdn. Ventures Limited.

2 Capital Stock

On January 1, 1970 the Company acquired all the outstanding shares of Norman Short and Associates Limited for $230,000 cash, 38,000 shares of the Company's capital stock and 10,000 share purchase warrants granting the right to purchase 10,000 shares of the Company's capital stock at $12.50 per share on or before December 31, 1974. The directors of the Company ascribed a value of $690,000 to the total consideration paid.

In addition, 129,000 treasury shares were issued during the year for $1,290,000 cash.

3 Share Purchase Warrants

As at December 31, 1970, 40,000 authorized but unissued shares of the Company's capital stock were reserved for issuance upon the exercise of 30,000 share purchase warrants at $8.00 per share and 10,000 share purchase warrants at $12.50 per share on or before December 31, 1973 and December 31, 1974 respectively.

4 Stock Options

45,000 authorized but unissued shares of the Company's capital stock have been reserved for allotment under the Company's employee stock option plan. To December 31st, 1970 options had been granted and were outstanding on a maximum of 37,750 shares at $5.00 per share expiring December 31st, 1979. As of Decemper 31st, 1970, 12,370 of these options were exercisable. The remainder of the options granted will become exercisable over the next five years.

5 Management Fees

The Company and certain subsidiaries provide management and investment advisory services to investment companies, investment trust funds and individual investors on a contract basis in consideration for management fees and under certain contracts are entitled to earn performance bonuses. During 1970 the Company received a substantial portion of its fees under a contract with Guardian Growth Fund Limited.

Under the Guardian contract the Company receives a basic expense, management and advisory annual fee, computed such that this fee plus certain other administrative expenses of Guardian total 1½% of the average net assets of Guardian. In addition to the basic fee, the Company will receive a performance bonus if Guardian outperforms certain stock market averages. This bonus is a percentage of average net assets during the year equal to 1/10th of the amount by which the percentage gain in the net asset value per share of Guardian exceeds the median percentage gain of the Toronto Industrial Index and the Dow Jones Industrial Average in the same year; or conversely 1/10th of the amount by which the percentage loss in the net asset value per share of Guardian is less than the median percentage loss of these indices. The bonus is not to exceed 2% of such average net assets and is receivable by the Company subsequent to the year end of Guardian.

For the years ended 1970 and 1969 the Company earned $326,295 and $572,036 respectively in basic fees under the Guardian contract, but earned no performance bonus under this contract in either year.

6 Remuneration of Directors and Senior Officers

The aggregate remuneration paid to directors and senior officers for the year ended December 31, 1970 was $141,857 (1969 – $100,969).

7 Earnings Per Share

The earnings per share calculations are based on the average number of shares outstanding during the year.

8 Mutual Fund Sales Company Operations

Guardian Growth Financial Services Limited, a wholly-owned mutual fund sales subsidiary was incorporated on October 26, 1970. It did not, however, become licensed to sell mutual funds until December, 1970 and as a result its income since incorporation was negligible. All expenses incurred during the period were charged to operations.

Gdn. Ventures Limited

Annual Report 1970

To the Shareholder

Paid in Capital	$2,750,000
Asset Value on December 31st, 1970	$4,159,300
Asset Value per share of Gdn. Management Limited on December 31st, 1970	$3.83
Cash on Hand	$1,244,707

Gdn. Ventures is a wholly owned subsidiary of Gdn. Management Limited and has been operational in the venture capital business for close to two years. This report summarizes the aims and methods of operation of our company.

Following this are descriptions of four of Ventures major investments, which account for eighty percent of the money that has been invested to date (at cost). Next is a discussion of the status of the balance of Ventures' investments, followed by a summary of the type of information that has to be collected before an entrepreneur or group of entrepreneurs can hope to raise funds successfully. Finally, we close with some comments on events that have occurred since year-end.

The Aims of The Company

1 To obtain an above average rate of return for its shareholders by investing in new corporations or ones that have yet to reach maturity, but which show open ended growth potential. In this context, it should be appreciated that venture capital investing is a high risk/high reward business.

2 To detect the fundamental trends within North American society and technology, and to restrict investments to those companies that can exploit or benefit from these trends.

3 To supply the entrepreneur both with a source of funds and with management assistance to permit his ideas to come to fruition.

4 To achieve the required rate of return by taking a significant equity position and by actively helping the companies to grow into public corporations, at which time the investment becomes marketable.

Investment Criteria

Ventures does not have hard and fast rules about the way an investment is structured; however, the following guidelines are usually followed:

1 A determination to avoid a minority position for the investor group as a whole viz-a-viz the individual entrepreneur or entrepreneurs. This makes management more ready to listen to and discuss problems with the investor group, who also have the ability to change the course of events should the business plan or the progress of the corporation go seriously awry.

2 A belief that the entrepreneur's concept and managerial ability is worth between 10% and 30% of the corporation (his cash investment would be made at the same price as that paid by outside investors).

3 We favour arrangements whereby management can increase its participation by successfully achieving pre-set benchmarks.

4 Other venture capital companies are welcomed as partners to spread the risk and broaden the expertise available to the company.

5 Board representation is always required.

6 Proven management capability is a requirement among the founders or within the corporation. Entrepreneurs and key managers should have a financial stake in the enterprise.

Ventures Major Investments

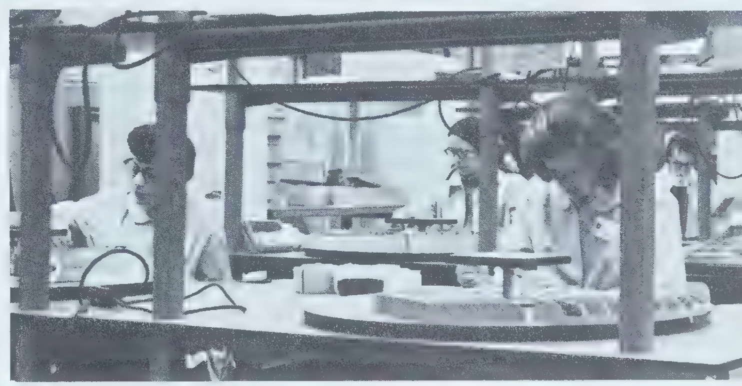
Digital Telephone Systems Inc. (DTS) San Rafael, California

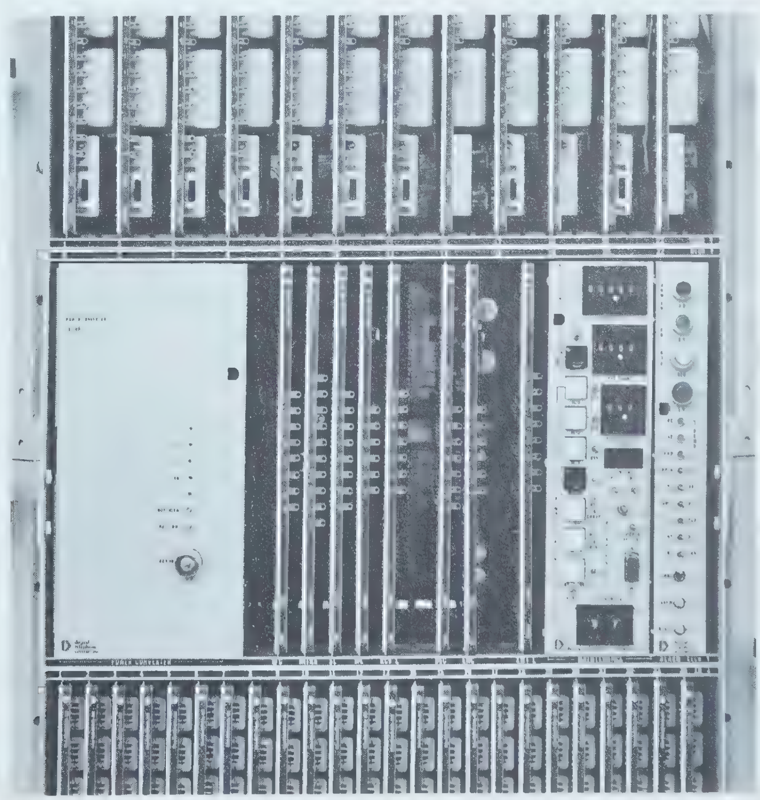
The company has developed sophisticated multiplex equipment for the telephone industry which enables telephone companies to service as many as 96 customers through a single pair of wires. Applications are found both in rapidly growing suburban areas as well as in the many office buildings which are short of duct space for cables.

The company has orders for 12 initial installations and indications of substantial follow-on orders as soon as the initial units are fully tested for performance and reliability. The first unit is installed and is operating satisfactorily. The remaining trial units are all expected to be installed by mid-year.

The development of this product has been achieved within budget and ahead of schedule. Since the initial production runs of complex electronic apparatus are fraught with unexpected delays and engineering bugs, 1971 will be a crucial year for the company. However, we have confidence in the management's ability to deal with both the problems and the opportunities that lie ahead.

Ventures' original $238,000 investment which now represents a 19½% interest, was made at $2.00 per share. Second stage financing was provided by a U.S. communications equipment manufacturer who bought a 25% interest for $1.25 million, or $8.33 per share. Our investment is currently valued at the $8.33 per share cost price paid by the latest investors.





Medical Data Sciences Limited (MDS) Toronto, Ontario

Ventures owns 26% of the equity of this medical service company, which is located in Toronto. The year 1970 has not been an easy one for MDS because, like most young companies, it has been necessary to redirect some of its programs and make a number of changes in its management staff.

However, we are pleased to say that MDS is now profitable, and has a capable management team in office. This company now operates 28 medical laboratories in 13 cities throughout Ontario and Quebec and operates medical screening clinics in Toronto and Montreal. The screening clinics are being used by insurance companies for medical checks and by some large corporations as part of an executive health screening program.

Your management is optimistic that the base is being built for the development of a significant corporation in the general health care field.

Ventures' $600,000 investment is currently valued by the director's at $1,447,000. This valuation is a 25% discount from the last price at which a large number of shares were sold.

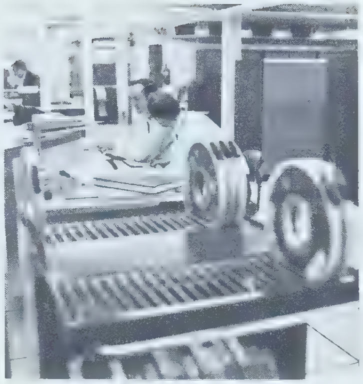
Keydata Corporation and Institutional Networks Corporation (Instinet)

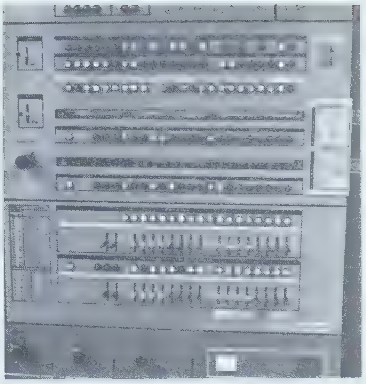
Keydata, the businessman's computer utility, supplies data processing to over 200 businesses in the U.S. and Canada from one central computer located in Massachusetts. This service is supplied via a technique called time-sharing, whereby from the user's point of view he gets all the advantages of his own computer without the necessity for highly skilled help and his own machine.

Guardian Growth Fund also holds a substantial interest in this company. Together, Guardian and Ventures own 12% of the equity. Currently, Keydata is profitable and is continuing to add new customers to the system. Ventures owns a $250,000 convertible debenture (conversion price $11) which is valued at par. The shares trade over-the-counter in New York at $12¾-13.

Instinet provides a service that allows financial institutions to trade shares anonymously with each other without the use of a broker, and at reduced commission rates via remote access terminals within their offices. The system is being used to an increasing extent by its subscribers and management is hopeful that its new cathode ray tube terminal pictured on the right, which is about to be installed, will enhance the interaction capabilities of the system and increase the company's profitability. Keydata provides the computer facilities for Instinet on a long term agreement basis.

Ventures owns 1.8% of the equity valued at its purchase price of $94,000.





Summary of Other Investments

Cassette-Cartridge Corporation

Ventures has 52,000 shares of this company which is in the business of the duplication and assembly of recorded tape in cassettes and cartridges for leading record and publishing companies in the United States. The company has been severely affected by the recession in the U.S. and by the cancellation of the loan agreement by the Cape Breton Development Corporation for its proposed Canadian plant.

Recently, however, further financing has been obtained; management has been reorganized and substantial new orders have been received by the company. Therefore, given an improvement in the U.S. economy for 1971, the company should be able to make progress. The shares currently trade around $2¼. Ventures has valued its holding at $1 per share.

Your management, in retrospect, considers this is a good example of how *not* to operate in the venture capital business. We are not on the board, did not have a significant shareholding, and could do nothing to change the course of events. This investment was part of the learning process.

Electrocell Limited

This company was formed to develop a fuel cell invented by Richard Keefer. Ventures made a very small investment in 1969, but decided not to participate in further financing because of the poor risk/reward ratio in financing fundamental research.

Edu-Media Limited and I.O. Systems Limited

Both of these companies service the education market and both have had difficulty in surviving. Ventures has a total of $131,000 invested and has written that down to a value of $41,000.

Currently, I.O. Systems, which provided computer classroom scheduling services, is being reorganized and a number of alternatives are being considered for its future. Edu-Media, a distributor of software to elementary schools, is marginally profitable.

In retrospect, the basic error in both these investments is that neither had management sufficiently experienced to make accurate assessments of the market for their products.

The Business Plan

Normally, before Ventures makes an investment, a business plan is prepared, preferably by the entrepreneurs but quite often as a co-operative effort between Ventures' staff and the managers of the enterprise. Below, for your interest, is summarized the information that is needed for such a plan:

1 Description of the business and its product or service.

2 Management organization, including functional responsibilities and resume of key personnel.

3 Market survey, assessment of competition and risks.

4 Development plan for product and service, including schedule and cost projections.

5 Manufacturing plan, including schedule and cost projections.

6 Marketing and service plan, including schedule and cost projections, market penetration and pricing strategy.

7 Cash flow and earnings projections.

8 Financial requirements and proposed offering.

This plan serves a dual purpose; it forces management to plan ahead and examine the realism of its proposal, and it gives Ventures a tool to measure how well management is doing.

Events Since the Year-End

Ventures completed its investment of $200,000 in Slaight Broadcasting Limited in January, 1971.

The year-end balance sheet of Gdn. Ventures forms part of this report, and it should be noted that Ventures still has available cash reserves of about $1,200,000. Approximately $600,000 of this is reserved for possible further investment in existing holdings leaving $600,000 for new investments. (subsequently reduced by the investment in Slaight Broadcasting)

Your management continues to be enthusiastic about the future for Ventures' activities. In today's world, social and economic values are changing; instant communication of far off events is with us; the society of twenty years hence will probably be barely recognizable to present day man. Within this format, needs are being created, and there is an opportunity for entrepreneurs and venture capital companies such as Gdn. Ventures Limited to create profitable enterprises that can satisfy these needs. It is towards this goal that your management is continually striving. Evidence to date confirms that venturing is a highly creative and stimulating field and that profit opportunities are very great. Your management looks forward to the years ahead with considerable optimism.

On behalf of the Board,
Yours sincerely,

Alan Grieve

Gdn. Ventures Limited

Balance Sheet

as at December 31, 1970

Assets

	1970	1969
Cash	**$ 22,592**	$ 14,642
Short-term deposits	**1,222,115**	698,671
Accrued interest	**32,841**	—
Investments – at cost, less allowance for losses – 1970 – $90,953; 1969 – Nil (Notes 2 and 4)	**1,417,709**	848,341
	$2,695,257	$1,561,654

Auditors' Report to the Shareholders of Gdn. Ventures Limited

We have examined the balance sheet of Gdn. Ventures Limited as at December 31, 1970 and the statements of earnings, deficit, changes in net assets and changes in investments for the year then ended. Our examination included a general review of the accounting procdures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the changes in its net assets and investments for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Smith, Nixon & Co.
Chartered Accountants

Toronto, February 12, 1971

		1970	1969
Liabilities	Management fee payable to parent company (Note 3)	$ 83,205	$ 64,784
	Other accounts payable and accrued liabilities	819	7,192
		84,024	71,976
Shareholders' Equity	Capital stock: Authorized – 1,000,000 shares without par value Issued and fully paid – 425,003 shares (1969 – 300,003 shares)	2,750,003	1,500,003
	Deficit	138,770	10,325
		2,611,233	1,489,678
		$2,695,257	$1,561,654

See accompanying notes

Approved on behalf of the Board

Alan Grieve, *Director*
Peter E. Roode, *Director*

Gdn. Ventures Limited

Statement of Deficit

for the year ended December 31, 1970

	1970	1969
Deficit – Beginning of Year	**$10,325**	$ —
Net loss for the year	**128,445**	10,325
Deficit – End of Year	**$138,770**	$10,325

See accompanying notes

Gdn. Ventures Limited

Statement of Earnings

for the year ended December 31, 1970

	1970	1969
Income		
Interest earned	**$ 95,479**	$56,219
Expenses		
Management fee (Note 3)	**83,205**	64,784
Other expenses	**3,387**	1,760
	86,592	66,544
	8,887	(10,325)
Provision for Loss on Investments and Foreign Exchange	**(137,332)**	—
Net Loss for the Year	**($128,445)**	($10,325)
Net Loss Per Share (Based on average shares outstanding)	**(33¢)**	(05¢)

See accompanying notes

Gdn. Ventures Limited

Statement of Changes in Net Assets

for the year ended December 31, 1970

	1970	1969
Net Assets – Beginning of Year	$1,489,678	$ 3
Increased by		
Issue of 125,000 shares of capital stock for cash (1969 – 300,000 shares)	1,250,000	1,500,000
Decreased by		
Net loss for the year	128,445	10,325
	1,121,555	1,489,675
Net Assets –End of Year	$2,611,233	$1,489,678

See accompanying notes

Gdn. Ventures Limited

Statement of Changes in Investments

for the year ended December 31, 1970

	1970	1969
Investments – Beginning of Year	$ 848,341	$ —
Increased by		
Cost of investments purchased	695,085	848,341
	1,543,426	848,341
Decreased by		
Proceeds from sale of investments	34,764	—
Provision for loss on investments	90,953	—
	125,717	—
Investments – End of Year	$1,417,709	$ 848,341

See accompanying notes

Gdn. Ventures Limited

Schedule of Investments

for the year ended December 31, 1970

Schedule "A"

	Number of Shares or Par Value	Cost less Allowance for Losses
Medical Data Sciences Limited		
Shares	482,386	$ 507,362
10% debentures – 1974	$ 97,493	97,493
Keydata Corporation – 7% convertible debentures – 1979	U.S. $250,000	268,441
Digital Telephone Systems Inc.	108,750	238,353
Cassette-Cartridge Corporation	52,000	168,241
Institutional Networks Inc.	6,500	93,819
Edu-Media Limited		
Shares	83,000	37,500
7½% note	$ 4,000	4,000
Electrocell Limited	500	2,500
		$1,417,709

See accompanying notes

Gdn. Ventures Limited

Notes to Financial Statements

for the year ended December 31, 1970

1 Conversion of Foreign Currency

Purchases and sales of foreign investments and income and expenses have been converted to Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions.

2 Investments

With the exception of one relatively small holding, the investments held at December 31, 1970, had no quoted market values. The details of these investments are set out in Schedule "A".

3 Management Fee

The management fee, which is paid to the parent company, is based on the Company's year-end net assets, as valued by the directors.

4 Subsequent Event

Subsequent to December 31, 1970 the Company made an additional investment for $200,000 under a commitment which was outstanding at December 31, 1970.

Guardian Growth Fund Limited

48 Yonge Street, Toronto 1, Ontario

Directors and Officers
James F. Cole, *Vice-President and Secretary*
Alan Grieve
Ralph Horner, *Vice-President and Treasurer*
Richard E. McConnell
Gurston Rosenfeld
Norman J. Short, *President*
Murray M. Sinclair
Hunter E. Thompson

Registrar and Transfer Agent
The Canada Trust Company
110 Yonge Street, Toronto 1, Ontario

Banker and Custodian of Securities
The Bank of Nova Scotia
44 King Street West, Toronto 1, Ontario

Auditors
Smith, Nixon & Co.
372 Bay Street, Toronto 1, Ontario

Legal Counsel
Day, Wilson, Campbell
250 University Avenue, Toronto 1, Ontario

Gdn. Management Limited

48 Yonge Street, Toronto 1, Ontario

Officers and Directors
James F. Cole
Alan Grieve, *Vice-President and Secretary*
Ralph Horner, *Vice-President and Treasurer*
Richard E. McConnell
Gurston Rosenfeld
Norman J. Short, *President*
Murray M. Sinclair
Hunter E. Thompson

Registrar and Transfer Agent
The Canada Trust Company
110 Yonge Street, Toronto, Ontario

Banker and Custodian of Securities
The Canadian Imperial Bank of Commerce
7 King Street East, Toronto 1, Ontario

Auditors
Smith, Nixon & Co.
372 Bay Street, Toronto 1, Ontario

Legal Counsel
Day, Wilson, Campbell
250 University Avenue, Toronto 1, Ontario

Gdn. Ventures Limited

48 Yonge Street, Toronto 1, Ontario

Officers and Directors
Alan Grieve, *President*
Ralph Horner
Peter E. Roode, *Secretary-Treasurer*
Gurston Rosenfeld
Norman J. Short
Murray M. Sinclair

Banker and Custodian of Securities
The Canadian Imperial Bank of Commerce
7 King Street East, Toronto 1, Ontario

Auditors
Smith, Nixon & Co.
372 Bay Street, Toronto 1, Ontario

Legal Counsel
Day, Wilson, Campbell
250 University Avenue, Toronto 1, Ontario

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Gdn. Management Limited
48 Yonge Street, Toronto 1, Ontario.

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

APRIL 23, 1970.

NOTICE IS HEREBY GIVEN that the Annual and a Special General Meeting of Shareholders of Gdn. Management Limited (hereinafter called the "Company") will be held in the Confederation Room, Royal York Hotel, Toronto, Ontario, on Thursday, the 23rd day of April, 1970, at 7:30 o'clock in the evening (Toronto time) for the following purposes:

1. To receive the report of the directors of the Company for the year ended December 31st, 1969;

2. To receive the financial statements of the Company and its subsidiary and the auditors' report thereon for the year ended December 31st, 1969;

3. To consider and, if approved, to confirm with or without variation a resolution passed by the directors of the Company increasing the number of directors of the Company from 5 to 8 as set out in the said resolution, a copy of which appears below and forms a part hereof;

4. To elect directors for the ensuing year;

5. To appoint auditors and authorize the directors to fix their remuneration;

6. To transact such further or other business as may properly come before the meeting and any adjournment or adjournments thereof.

Shareholders are entitled to vote at the meeting, either in person or by proxy in accordance with the provisions of The Corporations Act.

If you are unable to be present at the meeting, you are respectfully requested to complete, sign, date and return the attached proxy.

Where the appointor is a corporation or an officer of it, the necessary changes should be made in the proxy form; and where the instrument is signed by a corporation, its corporate seal must be affixed.

The following is a copy of the resolution referred to above:

RESOLVED as a special resolution of the Company that:

1. The number of directors of the Company be and the same is hereby increased from five (5) to eight (8) so that the board of directors of the Company shall hereafter be composed of eight (8) directors.

2. Four directors shall constitute a quorum at any meeting of the board of directors.

3. All prior by-laws, resolutions and proceedings of the company inconsistent herewith are hereby amended, modified and revised in order to give effect to this special resolution.

DATED at Toronto this 30th day of March, 1970.

BY ORDER OF THE BOARD,

Norman J. Short,

President.

Gdn. Management Limited
48 Yonge Street, Toronto 1, Ontario.

INFORMATION CIRCULAR AS AT MARCH 26th, 1970.

This information circular accompanies notice of the Annual and Special General Meeting of Shareholders of the Company called for 7:30 p.m. on Thursday the 23rd day of April, 1970, at the Confederation Room, Royal York Hotel, Toronto, Ontario, and is furnished in connection with a solicitation of proxies for use at that meeting. The annual report of directors for the fiscal year ended December 31st, 1969, including financial statements, is being mailed to shareholders of record, concurrently with this circular.

1. <u>REVOCABILITY OF PROXY</u>

Any shareholder returning the enclosed form of proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof, at which such proxy is to be used, or with the Chairman of such meeting on the day of the meeting, or adjournment thereof, and upon either of such deposits the proxy is revoked.

2. <u>PERSONS MAKING THE SOLICITATION</u>

THE ENCLOSED PROXY IS BEING SOLICITED BY THE MANAGEMENT.

Solicitations will be made by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company may reimburse shareholders, nominees or agents for the cost incurred in obtaining from their principals authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

3. VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Company consists of 2,000,000 shares without par value of which there are issued and outstanding as fully paid 958,000 shares.

Subject to compliance with the necessary legal formalities and requirements of appropriate regulatory authorities the Company proposes to sell to exempt purchasers and purchasers for investment 129,000 shares of its capital at $10.00 per share.

The following each owns beneficially, directly or indirectly, more than 10% of the shares of the Company:

Name and Address	Number of Shares Owned	Percentage
Alan Grieve, 30 Edgar Avenue, Toronto, Ontario.	135,000	14.1%
Ralph Horner, 266 Douglas Drive, Toronto, Ontario.	167,910	17.5%
Norman John Short, 4 May Street, Toronto, Ontario.	175,570	18.3%

Shareholders of record on the day of the meeting will be entitled to vote at the meeting. Those shareholders desiring to be represented by proxy at the meeting must deposit their proxy forms with the secretary of the Company before the meeting.

4. ELECTION OF DIRECTORS

The directors of the Company are elected annually and hold office until the next annual meeting of shareholders or until their successors are appointed. In the absence of instructions to the contrary the enclosed proxy will be voted for the eight nominees herein listed and accordingly shareholders will be asked to confirm the resolution referred to in the notice of meeting increasing the number of directors from five to eight.

The management does not contemplate that any of the nominees will be unable to serve as a director. In the event that prior to the meeting any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by management to vote the proxy for the election of any other person or persons as directors.

The nominees for the office of director and information concerning them as furnished by the individual nominees are as follows:

Name	Office Held	Occupation	Address	Date Elected a Director	Shares Beneficially Owned, Directly or Indirectly
Norman John Short	President and Director	Financial Analyst	4 May Street, Toronto, Ontario.	Jan. 1962	175,570
Alan Grieve	Secretary-Treasurer & Director	Executive & Chemical Engineer	30 Edgar Avenue, Toronto, Ontario.	Jan. 1962	135,000
James F. Cole	Director	Financial Analyst	291 Russell Hill Road, Toronto, Ontario.	Feb. 1965	79,000
Murray Sinclair	Director	Financial Analyst	96 Glengowan Rd., Toronto, Ontario.	Feb. 1965	80,000
Ralph Horner	-	Financial Analyst	266 Douglas Dr. Toronto, Ontario.	-	167,910
Gurston Rosenfeld	-	Financial Analyst	99 Woodlawn Ave.W. Toronto, Ontario.	-	49,020
Hunter E. Thompson	-	Financial Analyst	31 Inglewood Dr. Toronto, Ontario.	-	49,830
Richard E. McConnell	-	President, The Donner Advisory Corp., 11 Broadway, New York, U.S.A.	15 Canoe Hill Road, New Canaan, Conn., U.S.A.	-	100

Norman John Short, has practised his occupation as a financial analyst for the past five years and is the president and a director of Guardian Growth Fund Limited, the president and a director of Norman Short and Associates Limited, and a director of Gdn. Ventures Limited.

Alan Grieve, B.Sc., has practised his occupation as a chemical engineer and executive for the past five years and is the vice-president, secretary and a director of Guardian Growth Fund Limited, and the president and a director of Gdn. Ventures Limited.

James Francis Cole, has practised his occupation as a financial analyst for the past five years and is a director of Guardian Growth Fund Limited. From November 1963 to December 1968 Mr. Cole was vice-president of Elliott & Page Limited. At present Mr. Cole is employed by the Company.

Murray Sinclair has practised his occupation as a financial analyst for the past five years and is a registered representative with Cochran, Murray Limited, 18 King Street East, Toronto, the president and a director of International Bond and Equity Corporation Limited, the president and a director of Life Investors Limited, a director of Guardian Growth Fund Limited, and a director of Gdn. Ventures Limited.

Ralph Horner has practised his occupation as a financial analyst for the past five years and was until the end of 1969 vice-president and a director of United Funds Management Ltd.; vice-president of United American Fund Ltd., United Horizon Fund Ltd., United Venture Fund Ltd., and United Funds Canada-International Ltd. He is presently employed by the Company.

Gurston Rosenfeld has practised his occupation as a financial analyst for the past five years, with R.A. Daly & Company Limited 1965 to 1967 and with Norman Short and Associates Limited from December 1967 to date, and is a director and secretary of Norman Short and Associates Limited and a director of Gdn. Ventures Limited.

Hunter E. Thompson has practised his occupation as a financial analyst for the past five years with The Canada Trust Company 1961 to 1965 and with Norman Short and Associates Limited from 1965 to date and is a director and treasurer of Norman Short and Associates Limited.

Richard E. McConnell has practised his occupation as an investment counsel and executive for the past five years, with Montgomery, Scott & Co., 120 Broadway Avenue, New York, from 1963 to 1966, and from 1966 to date with The Donner Advisory Corporation, 111 Broadway Avenue, New York, N.Y., U.S.A. of which he is President.

5. REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate remuneration paid or payable by the Company or its subsidiaries, directly or indirectly, to the directors and senior officers of the Company during the Company's last completed financial year was $100,969.00.

It is the present policy of the Company to pay annual bonuses to the directors, senior officers and other employees equivalent in the aggregate to 15% of the annual performance bonus earned by the Company under its management contract with Guardian Growth Fund Limited. No bonuses were paid for 1969.

As of the date hereof there are 40,000 Share Purchase Warrants held by two directors of the Company, and two proposed nominees for election as directors.

No. of Share Purchase Warrants	Warrant Price at issue	Subscription Price
30,000	$2.00 (issued Nov. 30, 1968)	$8.00 per share until Dec. 31, 1973
10,000	*	$12.50 per share until Dec. 31, 1974

* Following approval of the acquisition of all of the issued and outstanding shares in the capital of Norman Short and Associates Limited at the Special General Meeting of Shareholders of the Company on December 12th, 1969, the 10,000 warrants dated January 1, 1970 being part of the consideration payable were created and issued to two of the three vendors as set out in the information circular as at November 17th, 1969, sent to shareholders in connection with the Special General Meeting of Shareholders.

The Company has established an Employee Stock Option Plan under which a total of 45,000 common shares were set aside to be used for the granting of non-assignable options to executives and other full-time employees of the Company or of any subsidiary company at a purchase price to be 90% of the average price

for the Company's common shares as traded on the Toronto Stock Exchange on the last business day or days of which trading of not less than a total of 100 shares of the Company took place immediately preceding the day on which an option is granted. The options to be exercisable from time to time will expire within a ten year period.

On October 17th, 1969, under the terms of the above Plan options were granted to eight full-time employees, to purchase an aggregate of 27,500 common shares at $10.00 a share exercisable from time to time as designated by their option agreements up to the close of business on December 31st, 1979. Each such employee (none of which was an officer or director) was granted the right to purchase at $10.00 per share a number of such shares equal to 5 shares for each $100.00 of the aggregate of such employees gross salary and bonus paid or payable in respect of each of the calendar years 1969 through 1973 to a maximum number specified by the Company. The price range of the securities in the thirty day period preceding the date of grant was a high of $12.00 per share and a low of $9-7/8 per share.

6. APPOINTMENT OF AUDITORS

At the Meeting it is proposed to re-appoint Smith, Nixon & Co. as auditors of the Company and proxies in favour of management will be voted accordingly unless otherwise directed. Smith, Nixon & Co. have been auditors of the Company since March 1963.

7. PARTICULARS OF MATTERS TO BE ACTED UPON

The management of the Company does not intend to present any other matter for action at the Annual and Special General Meeting and has not been informed that other persons intend to present any matters for action at the meeting. However, if any other matter should properly come before the meeting it is intended that votes will be cast pursuant to the proxy hereby solicited in respect of such other matters in accordance with the best judgment of the persons named in the enclosed form of proxy.

8. VOTING OF PROXIES AND EXERCISE OF DISCRETIONARY POWERS

THE SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO ATTEND AND ACT FOR HIM ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE ACCOMPANYING FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES OR MAY SUBMIT ANOTHER PROXY.

THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED AS DIRECTED. IF NO DIRECTION IS INDICATED THIS PROXY WILL BE VOTED FOR APPROVAL OF RECEIVING THE REPORT OF DIRECTORS, AND THE FINANCIAL STATEMENTS OF THE COMPANY WITH THE AUDITORS' REPORT THEREON, CONFIRMATION OF THE RESOLUTION INCREASING THE NUMBER OF DIRECTORS FROM FIVE TO EIGHT, THE ELECTION OF THE DIRECTORS AND APPOINTMENT OF AUDITORS AS SET OUT HEREIN. THE PROXY ALSO CONFERS AUTHORITY FOR THE ABOVE-NAMED TO VOTE IN HIS DISCRETION WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED OR OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT OR ADJOURNMENTS THEREOF.

BY ORDER OF THE BOARD,

Norman J. Short,

President.

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GDN. MANAGEMENT LIMITED

48 YONGE STREET, TORONTO 1
ONTARIO, CANADA

TELEPHONE
364-8341

August 20th, 1970

To The Shareholders:

Revenues for the first six months of 1970 as compared with those of last year continued to reflect the reduction in the value of assets under administration. This decline in assets managed was primarily the result of the decline in the per share value of Guardian Growth Fund, but was also contributed to by a reduction in the number of shares outstanding. These redemptions appear now to have stabilized at a very small number.

Expenses have also stabilized since the end of the first quarter of the year, and any improvement in gross revenues from this point onward should flow largely through to pre-tax and after-tax profits.

During the second quarter of the year, your company redeemed its two outside mutual fund investments. One of these, a U.S. managed offshore hedge fund had appeared to be weathering the storm well during 1969; a very different performance started to occur in 1970, and your management decided that cash would be a preferable holding. Similar reasoning applied in the case of the Canadian fund held, though in this case the performance was much better, and the loss correspondingly less. Your company will continue to hold the outstanding common shares of Guardian, which were purchased several years ago.

The statement of source and application of funds sets out the net result of operating and capital transactions. It also itemizes the new cash raised for your company by sale of treasury shares at ten dollars per share, and the investment of this new cash in shares of your company's wholly-owned subsidiary Gdn. Ventures. The balance sheet as at June 30th 1970, demonstrates that your company has a good cash balance, and no debt.

Earlier this year your management stated that it was considering making an offer to Guardian to buy its holding of Keydata for shares and warrants of Gdn. Ventures Limited. These Ventures shares would then, in turn, be distributed to Guardian shareholders pro-rata to their holding in the Fund. The Ontario Securities Commission has ruled that this series of transactions would require a Ventures prospectus, rather than a simpler and less costly document called an Information Circular. Your management has decided not to now proceed with this proposed transaction for three main reasons:-

(1) Any transaction between related parties must have overwhelming justification to make it worthwhile, and we do not believe this can be said of this transaction at the present time;

(2) We do not want to incur at this time, for this relatively small transaction, the cost, time delay, and use of management time required to prepare a Ventures prospectus;

(3) There is a possibility that a stock dividend of Gdn. Ventures Limited would be deemed to be taxable income in Guardian Growth Fund shareholders' hands.

A progress report on Gdn. Ventures Limited is enclosed as part of this report. Your management's valuation of the Ventures portfolio is in excess of $4 million, or about $4.00 per Gdn. Management share.

With regard to the future, your company can in fact be considered as two separate operations: the first is an investment management operation requiring minor amounts of capital which can generate earnings that increase to the extent of our ability to attract assets by good management and an effective sales effort; the second operation involves substantial amounts of capital mainly in Gdn. Ventures but also in Gdn. itself. The investment of these funds in venture capital areas makes Gdn. one of the very few publicly traded companies offering a significant interest in this form of investment.

While the risks involved in this form of investment are quite high, we feel these are outweighed by the potential should any of the companies come close to realizing its potential. Moreover, such risks have been moderated by spreading the investments over a number of companies and by an investment policy which gives us, where necessary, substantial participation and voice in the operating of the companies.

The time frame of venture capital investment tends to be longer than investment in ordinary public companies, but is balanced by the greater amount of information available and our ability to materially influence the course of events.

In summary, Gdn. offers potential earnings growth from investment management and possible important asset growth from its own and Gdn. Ventures' investments.

On behalf of the Board
Yours sincerely,

Norman J. Short

Norman Short

GDN. MANAGEMENT LIMITED

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE SIX MONTHS ENDED JUNE 30th, 1970

(With comparative figures for the six months ended June 30th, 1969)

	1970	1969
REVENUE		
Basic management fees	250,980	396,225
Interest and dividends	7,096	39,705
Other	--	2,000
Total Revenues	258,076	437,930
EXPENSES		
Management and analyst's salaries	80,787	57,074
Other operating expenses	86,427	103,784
Total Expenses	167,214	160,858
Earnings from operations before income taxes	90,862	277,072
Provision for income taxes	43,300	143,000
Net earnings from operations	$ 47,562	$ 134,072
Extraordinary item - loss on sale of investments	71,350	--
Earnings per share from operations	.05	.15
Average shares outstanding	1,022,500	891,300

NOTE: The statement of earnings for 1970 includes the revenues and expenses of Norman Short and Associates Limited which was acquired by Gdn. Management Limited as of January 1st, 1970. The 1969 results have been restated for comparative purposes to include the revenues and expenses of Norman Short and Associates Limited.

GDN. MANAGEMENT LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30th, 1970

(With comparative figures for the six months ended June 30th, 1969)

	1970	1969
SOURCE OF FUNDS		
Net earnings	47,562	134,072
Charges not requiring cash expenditures:		
Depreciation and amortization	3,954	2,003
Funds derived from operations	51,516	136,075
Sale of investments in mutual funds	137,394	--
Sale of common shares	1,290,000	1,500,000
	1,478,910	1,636,075
APPLICATION OF FUNDS		
Purchase of fixed assets	1,100	13,546
Investment of proceeds from sale of common stock in Gdn. Ventures Ltd. (Note 1)	1,250,000	1,500,000
Deferred financing expenses	38,591	21,620
Purchase of shares in mutual funds	--	207,347
Investment in Norman Short and Associates Limited less working capital acquired	226,207	--
	1,515,898	1,742,513
DECREASE IN WORKING CAPITAL	$ 36,988	$ 106,438

GDN. MANAGEMENT LIMITED

CONSOLIDATED BALANCE SHEET AS AT JUNE 30th, 1970

ASSETS

Current Assets		
Cash and deposit receipts	419,019	
Basic management fees receivable -		
Unconsolidated subsidiaries	38,700	
Other	25,823	
Sundry accounts receivable	5,567	
Prepaid expenses	4,562	493,671
Investments - at cost		
Shares in Gdn. Ventures Limited	2,750,000	
Shares in Guardian Growth Fund Limited (net asset value $28,125)	18,000	2,768,000
Fixed Assets - at cost less accumulated depreciation and amortization of $18,839		26,524
Deferred Costs - estimated expenses of financing		38,591
Excess of cost of investment in subsidiary over book value		686,107
		$4,012,893

LIABILITIES

Current Liabilities		
Accounts payable and sundry accrued liabilities	6,760	
Income taxes payable	17,204	23,964
SHAREHOLDERS' EQUITY		
Capital Stock -		
Authorized - 2,000,000 shares without par value		
Issued and fully paid - 1,087,000 shares (Note 1)	3,253,353	
Contributed Surplus - arising from sale of share purchase warrants	60,000	
Retained Earnings	675,576	3,988,929
		$4,012,893

NOTE 1: Shares issued includes 38,000 shares issued for shares of a subsidiary in January 1970, and 129,000 issued for $10.00 per share cash in April 1970.

Officers and Directors

Norman J. Short, President
Alan Grieve, Vice-President and Secretary
Ralph Horner, Vice-President and Treasurer
James F. Cole
Richard E. McConnell
Gurston Rosenfeld
Murray Sinclair
Hunter E. Thompson

Registrar and Transfer Agent

The Canada Trust Company
110 Yonge Street,
Toronto, Ont.

Banker and Custodian of Securities

The Canadian Imperial Bank of Commerce
7 King Street East,
Toronto, Ont.

Auditors

Smith, Nixon & Co.,
372 Bay Street,
Toronto, Ont.

Legal Counsel

Day, Wilson, Campbell
250 University Avenue,
Toronto, Ont.

GDN. MANAGEMENT LIMITED
48 Yonge Street, Toronto 1, Ontario.
Tel: (416) 364-8341